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ORIGIN SP-02

INFO OCT-01 EA-07 ISO-00 EUR-12 SS-15 INR-07 AF-08 NEA-10

EB-07 SSO-00 INRE-00 /069 R

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E.O. ,1652: GDS

TAGS: PFOR, JA, US

SUBJECT: US-JAPAN PLANNING TALKS

1. HERE IS THE US PAPER FOR PLANNING TALKS DISCUSSION OF
AGENDA TOPIC 2: FUTURE EAST-WEST RELATIONS. IN PASSING
IT TO THE JAPANESE, PLEASE ADD A TITLE PAGE WITH THE
CAVEAT: "THIS PAPER REFLECTS THE PERSONAL VIEWS OF A
MEMBER OF THE POLICY PLANNING STAFF. IT HAS NOT BEEN
OFFICIALLY CLEARED WITHIN THE DEPARTMENT OF STATE."

2. BEGIN TEXT: FUTURE EAST-WEST RELATIONS: US POLICIES
TOWARD THE USSR AND CHINA (UNDERLINE).

3. THIS PAPER EXAMINES TRENDS WHICH COULD HAVE A SIGNI-
FICANT BEARING UPON US RELATIONS WITH THE SOVIET UNION AND
CHINA, SEEKS TO IDENTIFY KEY FUTURE ISSUES, AND NOTES SOME
IMPLICATIONS FOR US-JAPANESE COOPERATION ON EAST-WEST
MATTERS.

4. UNITED STATES POLICY TOWARD THE SOVIET UNION (UNDERLINE)

5. OVER THE PAST SEVERAL DECADES US-SOVIET RELATIONS
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HAVE BEEN MARKED BY THREE CONSTANTS:

-- ACUTE GEOPOLITICAL RIVALRY, MODIFIED BUT NOT REPLACED BY THE EMERGENCE OF OTHER POWERS.

-- IDEOLOGICAL AND POLITICAL COMPETITION, VARYING IN INTENSITY OVER TIME, BUT CONSISTENTLY INHIBITING THE SCOPE OF POLITICAL AGREEMENTS.

-- A PERCEIVED NEED FOR "PEACEFUL COEXISTENCE," I.E. THE AVOIDANCE OF WAR.

6. THE PRINCIPAL VARIABLE HAS BEEN THE EXTENT OF SOVIET WILLINGNESS TO IMPOSE LIMITS ON EAST-WEST DIPLOMATIC-STRATEGIC COMPETITION THROUGH GENUINE NEGOTIATIONS LEADING TO PARTIAL AGREEMENTS. DURING THE 1969-1973 PERIOD THE USSR'S WILLINGNESS TO NEGOTIATE SALT I, THE BERLIN AGREEMENT, A SIGNIFICANT EXPANSION IN EAST-WEST TRADE, AND A PROLIFERATION OF EXCHANGES OF VARIOUS KINDS, WAS A RESULT OF A NUMBER OF CIRCUMSTANCES: SOVIET ACHIEVEMENT OF STRATEGIC PARITY, INCREASED CONFIDENCE IN ITS CONTROL OVER EASTERN EUROPE, A PERCEIVED NEED FOR WESTERN TECHNOLOGY TO MEET RISING SOVIET DEMANDS FOR CONSUMER GOODS, AND ITS DETERIORATING RELATIONS WITH THE PRC. SOVIET ADOPTION OF A MORE ACTIVIST POLICY IN RECENT YEARS IS PROBABLY ATTRIBUTABLE TO THEIR PERCEPTION OF A NEW AND MORE PROMISING INTERNATIONAL CORRELATION OF FORCES MARKED BY RECESSION IN THE INDUSTRIAL DEMOCRACIES, THE GROWTH OF MORE ASSERTIVE ANTI-WESTERN SENTIMENT IN THE THIRD WORLD, A WEAKENING OF COHESION ON NATO'S MEDITERRANEAN FLANK, THE PROLONGED CONSTITUTIONAL CRISIS IN AMERICA, AND THE FAILURE OF US EFFORTS IN VIETNAM.

7. THE QUESTION OF HOW TO DEAL WITH THE SOVIET UNION HAS BEEN AT THE HEART OF US POLICY FOR THREE DECADES. WE COULD NOT PREVENT THE SOVIET'S RISE TO THE STATURE OF A SUPER-POWER; BUT WE HAVE CONSISTENTLY ATTEMPTED TO DEVELOP INHIBITIONS AGAINST THE USSR'S USE OF ITS MILITARY POWER AND POLITICAL LEVERAGE IN WAYS THAT JEOPARDIZE OUR INTERESTS AND THOSE OF OUR FRIENDS AND ALLIES.

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8. THE IMPERATIVES OF US CONTAINMENT POLICY HAVE ALWAYS BEEN COMPLEX AND DEMANDING. AT PRESENT OUR APPROACH INCLUDES:

-- PRESERVATION OF AN EFFECTIVE DETERRENT AGAINST SOVIET ENCHROACHMENTS THROUGH (1) US MILITARY STRENGTH, (2) THE COHESION OF OUR ALLIANCES, (3) IMPROVED TIES WITH PEKING, AND (4) POLITICAL/DIPLOMATIC COMPETITION WITH THE

USSR IN VARIOUS THIRD AREAS.

-- WILLINGNESS TO RESOLVE DISPUTES AND LIMIT THE STRATEGIC ARMS RACE THROUGH NEGOTIATED AGREEMENTS REFLECTING A MUTUALITY OF BENEFITS.

-- A SEARCH--AS CONDITIONS PERMIT--FOR BROADER COOPERATION WITH THE USSR IN COMMERCIAL AND OTHER FIELDS TO GENERATE ADDITIONAL BUREAUCRATIC AND POLITICAL INCENTIVES FOR SOVIET RESTRAINT AND MODERATE INTERNATIONAL CONDUCT.

9. THUS THE "DOMESTICATION" OF SOVIET POWER REMAINS A CENTRAL LONG-RANGE TASK, AND US POLICY WILL CONTINUE TO REFLECT TENSION BETWEEN THE REQUIREMENTS OF CONTAINMENT AND THE QUEST FOR A MORE COOPERATIVE RELATIONSHIP.

10. CONTEMPORARY TRENDS (UNDERLINE)

11. IN THE FUTURE THE RELATIVE EMPHASIS AS BETWEEN THESE POLES WILL BE SHAPED BY THESE KEY TRENDS:

-- ALREADY A MILITARY SUPERPOWER, THE SOVIET UNION HAS FOR SOME YEARS BEEN ACQUIRING A SUBSTANTIAL TECHNICAL CAPACITY TO MOUNT LONG DISTANCE MILITARY OPERATIONS; IT IS DEVELOPING A NAVY WITH "GLOBAL" REACH, AND WE ARE SEEING SOME SIGNS OF A MORE ACTIVE SEARCH FOR NEW BASE AND PORT FACILITIES IN FAR-FLUNG REGIONS, THOUGH SO FAR WITHOUT MUCH RESULT. WHILE SOVIET STRATEGIC CAPABILITIES ARE IMPRESSIVE, THEY ARE UNLIKELY FOR THE FORESEEABLE FUTURE TO ATTAIN ANY TECHNICAL BREAKTHROUGHS THAT WOULD JEOPARDIZE THE EAST-WEST STRATEGIC BALANCE.

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-- THE SOVIET ECONOMY, WHILE POWERFUL AND IMPRESSIVE IN SOME AREAS, REMAINS UNBALANCED IN FAVOR OF HEAVY INDUSTRY. THE USSR LAGS WELL BEHIND THE WEST IN EFFICIENCY, PRODUCTIVITY, AND PER CAPITA INCOME; MAJOR REFORMS TO STIMULATE INNOVATION AND EXPAND THE ROLE OF MARKET FORCES ARE NOT IN THE OFFING. AGRICULTURE REMAINS NOTORIOUSLY BACKWARD, AND THE USSR;UST EXPECT INCREASING DIFFICULTIES IN MEETING ITS AGRICULTURAL REQUIREMENTS.

12. THE SOVIET'S GREATEST POTENTIAL FOR ACCELERATED ECONOMIC DEVELOPMENT AND EXPORT TRADE GROWTH PROBABLY LIES IN THE MINERAL AND ENERGY RESOURCES OF SIBERIA. BUT THE TECHNOLOGY, CAPITAL, AND MANAGEMENT EXPERTISE REQUIRED FOR THEIR DEVELOPMENT WILL STRAIN SOVIET RESOURCES, AND THEY WILL PRESUMABLY CONTINUE TO LOOK TO THE UNITED STATES,

WESTERN EUROPE AND JAPAN FOR HELP. INDEED THE SOVIET UNION IS FINDING IT INCREASINGLY DIFFICULT TO INSULATE ITSELF

FROM THE EFFECTS OF ECONOMIC TRENDS IN THE WEST, E.G., IMPACT OF WESTERN INFLATION AND RECESSION ON THEIR FOREIGN EXCHANGE AND DEBT SITUATION. TRADE AND ECONOMIC INTERDEPENDENCE WITH THE NON-COMMUNIST INDUSTRIALIZED COUNTRIES WILL MOST LIKELY INCREASE. AND A NUMBER OF INDUSTRIAL PROJECTS BEING CONSTRUCTED IN THE USSR WITH THE HELP OF FOREIGN FIRMS ARE THEMSELVES LINKED TO CONTINUING FOREIGN TRADE COMMITMENTS.

13. THERE ARE LIMITS, OF COURSE, TO THIS INTERDEPENDENCE. EVEN IF THE SOVIETS ABANDONED CENTRAL DICTATION OF THEIR ECONOMIC SYSTEM AND TURNED AWAY FROM THEIR EMPHASIS ON SELF-SUFFICIENCY--A VERY REMOTE CONTINGENCY--THEY MIGHT AT MOST DEVELOP A DEPENDENCE ON TRADE ROUGHLY COMPARABLE TO THE US NOW--WITH IMPORTS OF 7-8 PERCENT OF GNP RATHER THAN THEIR CURRENT 4 PERCENT. NO SUCH CHANGES ARE IN SIGHT.

14. IN THE EXPANDING ECONOMIC INTERPLAY BETWEEN EAST AND WEST NOTABLE ASSYMETRIES ARE APPARENT. WHAT WE WANT FROM THE EAST (E.G., MARKETS, RAW MATERIALS, SEMI-FINISHED GOODS) REMAINS FAR LESS SIGNIFICANT TO WESTERN WELFARE THAN WHAT THE SOVIETS NEED FROM US. ON THE OTHER HAND, THE USSR ON OCCASION HAS UTILIZED SECRECY AND STATE-RUN CONFIDENTIAL

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MONOPOLIES TO PLAY OFF WESTERN-OWNED FIRMS--AND STATES--AGAINST EACH OTHER TO IMPROVE THE TERMS OF PARTICULAR COMMERCIAL EXCHANGES. IN THIS LATTER CONNECTION, HOWEVER, EUROPEAN, AMERICAN AND JAPANESE FIRMS ARE NOT DEFENSELESS AND THE SOVIET BUREAUCRACY IS NOT THE MOST SUPPLE INSTRUMENT IN COMMERCIAL NEGOTIATIONS.

-- EAST-WEST ECONOMIC INTERDEPENDENCE IS BEING SUPPLEMENTED BY AN INCREASING DEGREE OF POLITICAL INTERDEPENDENCE. THE US-SOVIET AGREEMENTS ON ABM AND SALT, THE THRESHOLD TEST BAN AND PNE TREATIES, AND THE GRAIN AGREEMENT--NOT TO MENTION THE NPT, PARTICIPATION IN THE LONDON NUCLEAR SUPPLIERS GROUP, AND TO SOME EXTENT THE HELSINKI AGREEMENT--INVOLVE SOVIET COMMITMENTS BY FORMAL AGREEMENT TO LINKS WITH THE INTERNATIONAL SYSTEM, SOME INVOLVING AREAS OF CONSIDERABLE IMPORTANCE TO SOVIET NATIONAL SECURITY. ALTHOUGH SOVIET PARTICIPATION IN THE INTERNATIONAL SYSTEM REMAINS LIMITED AND GRUDGING IN MANY RESPECTS, THE TREND HAS BEEN IN THE RIGHT DIRECTION.

-- POLITICALLY THE USSR HAS ADOPTED AN "ACTIVIST" COURSE. IT REACTED TO ITS EXPULSION FROM EGYPT BY PUR-

SUING (WITH MIXED SUCCESS) CLOSER TIES TO SYRIA AND LIBYA AND COMMITTING ITS PRESTIGE MORE UNEQUIVOCALLY TO THE PLO (IN HOPES OF ERECTING ADDITIONAL OBSTACLES TO US-SPONSORED STEP-BY-STEP DIPLOMACY IN THE MIDDLE EAST). THE SOVIETS

HAVE OPENED A NEW ZONE OF REGIONAL CONFLICT WITH THE WEST IN AFRICA THROUGH THEIR INTERVENTION IN ANGOLA. THEY ARE EXPANDING THEIR DIPLOMATIC ACTIVITIES IN ASIA IN THE WAKE OF HANOI'S VICTORY IN INDOCHINA. THEIR POLICIES REVEAL A CONSTANT EFFORT TO ENHANCE THEIR INFLUENCE WHEREVER THEY CAN, AND A TENDENCY TO IMPROVE THEIR INTERNATIONAL POSITION AT THE EXPENSE OF THE US AND CHINA WHEREVER THEY DISCERN OPENINGS AT LOW RISK OF CONFRONTATION.

15. SOVIET ACTIVISM CANNOT CONCEAL, HOWEVER, MAJOR WEAKNESSES. ABOVE ALL THERE ARE SOFT SPOTS IN THE SOVIET ECONOMY; THE USSR IS AN UNATTRACTIVE MODEL FOR THE LDCS; IT HAS BEEN CONFINED TO A SPECTATOR ROLE IN NORTH-SOUTH ECONOMIC NEGOTIATIONS, IT IS PLAGUED BY DIFFICULTIES IN

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CONTROLLING ITS CLIENTS; ITS IDEOLOGICAL AUTHORITY IS AT AN ALL TIME LOW AMONG FOREIGN COMMUNIST PARTIES; ITS ABSORBING PREOCCUPATION WITH CHINA WILL PERSIST FOR THE FORESEEABLE FUTURE; THE ECONOMIC BURDENS OF ITS MILITARY EFFORTS ARE INCREASINGLY DIFFICULT TO BEAR; AND SOVIET DIPLOMACY IS FREQUENTLY HAM-HANDED.

-- SOVIET SOCIETY IS MARKED BY A GROWING MATERIALISM AND AN EXPANDING DEMAND FOR CONSUMER GOODS. THIS IS ACCOMPANIED BY GREATER CYNICISM TOWARDS IDEOLOGY, THE GROWING ASSERTIVENESS OF NON-RUSSIAN NATIONALITIES IN THE USSR, A WANING INTEREST IN PROFESSED COMMUNIST IDEALS, AND A CONSIDERABLE CREDIBILITY GAP ABOUT THE PROPAGANDA LINE. NONETHELESS, THE SOVIET CITIZENRY RETAINS A LIVELY SENSE OF PATRIOTISM. PATIENCE, PASSIVITY AND TOUGHNESS HAVE TRADITIONALLY CHARACTERIZED THE RUSSIANS, AND THESE QUALITIES STILL STAND OUT. AND THE INSTRUMENTALITIES OF POLITICAL, ECONOMIC AND MILITARY CONTROL REMAIN SO CLEARLY IN SLAV HANDS THAT MAJOR CHALLENGES FROM NON-SLAV NATIONALITIES CAN PROBABLY BE DETERRED OR READILY MANAGED AT LEAST OVER THE NEXT FEW YEARS.

-- SOVIET LEADERSHIP PRESENTLY APPEARS STABLE, BUT IT IS ADVANCED IN YEARS, AND BREZHNEV HAS DONE LITTLE TO PREPARE FOR A TRANSFER OF POWER TO YOUNGER MEN. THE LONGER THE INTRUSION OF THE YOUNGER GENERATION INTO THE LEADERSHIP IS DEFERRED, THE MORE DIFFICULT THE ULTIMATE TRANSITION WILL BE. AT THE SAME TIME IT SEEMS UNLIKELY THAT FUTURE CONTENDERS FOR POWER (I.E., MEN NOW IN THEIR

40'S AND 50'S) WILL WISH OR BE ABLE TO ALTER PRESENT POLICIES TO ANY FUNDAMENTAL EXTENT. THEY WILL BE CAST IN ROUGHLY THE SAME MOLD AS BREZHNEV; THEY WILL FACE PERSUASIVE REASONS TO IMPOSE LIMITS ON THE GROWTH OF STRATEGIC ARMS WHOSE COSTS IMPOSE HEAVY BURDENS ON AN ALREADY STRAINED ECONOMY; THEY WILL HAVE STRONG INCENTIVES

TO EXAMINE NEW METHODS OF RUNNING AGRICULTURE AND THEIR INDUSTRIAL ECONOMY, BUT THE DRAG OF DOCTRINE AND THE INERTIA A LARGE BUREAUCRACY WILL PROVIDE LARGE OBSTACLES TO CHANGE. ONE WOULD EXPECT THEM TO BE CONSERVATIVE IN THE SOVIET SENSE, TOUGH-MINDED, DETERMINED TO MAINTAIN CONFIDENTIAL

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THEIR CONTROLLING POSITION AS A MINORITY GROUP, PRAGMATIC AND PREPARED TO BEND IDEOLOGY TO SUIT REALITY, PERHAPS LESS RIDDEN BY AN INFERIORITY COMPLEX VIS-A-VIS THE WEST, THUS FEELING LESS NEED TO ASSERT SOVIET SUPERIORITY AT EVERY TURN. GREATER SELF-CONFIDENCE COULD LEAD, ALTERNATIVELY, TO GREATER NATIONALISM AND ASSERTIVENESS ABROAD.

16. THE US ESPONSE (UNDERLINE)

17. IF THIS DESCRIPTION OF CURRENT TRENDS IS ACCURATE, THE USSR REMAINS A POWERFUL, DANGEROUS ADVERSARY AGAINST WHICH A BALANCE OF POWER MUST BE MAINTAINED. BUT IT IS ALSO A "FLAWED COLOSSUS" WHICH (1) FACES A HOST OF INTRACTABLE PROBLEMS, (2) POSSESSES NEITHER THE CAPACITY NOR PROBABLY THE DESIRE TO "DESTROY THE WEST," AND (3) IS DEVELOPING A SERIOUS AND GROWING STAKE IN STABILITY IN SOME KEY AREAS. NONETHELESS, IF THE SOVIETS APPEAR INTERESTED IN PRESERVING THE ADVANTAGES OF DETENTE, THEY ARE ALSO TEMPTED TO TAKE ASSERTIVE ACTION BY PROXY AT THE WEAK POINTS OF THE WESTERN PERIPHERY--PARTICULARLY IN THE THIRD WORLD.

18. SOVIET ACTIVISM HAS GENERATED IN AMERICA, MOREOVER, A MORE SKEPTICAL APPRAISAL OF THE ADVANTAGES OF DETENTE. THERE ARE LOUDER COMPLAINTS THAT US POLICIES HAVE NOT NETTED US RECIPROCAL BENEFITS, INDUCED SOVIET MODERATION, ARRESTED THE GROWTH OF SOVIET POWER, OR LED TO THE CONSOLIDATION OF OUR RELATIONS WITH MOSCOW'S RIVAL IN PEKING. IN THE FUTURE THE AMERICAN PUBLIC AND CONGRESS WILL BE EXTREMELY ATTENTIVE TO THE BALANCE OF ADVANTAGES IN EACH INDIVIDUAL NEGOTIATION WITH THE USSR. AS IN THE PAST, WE WILL EXPECT TO BARGAIN HARD ON SPECIFICS. BUT MEETING THE SOVIET CHALLENGE, WILL DEPEND BOTH ON SOVIET PERCEPTIONS OF NET BENEFITS TO BE DERIVED FROM NEGOTIATION AND ON REMEDYING THOSE CONDITIONS WHICH INVITE

SOVIET OBSTREPEROUSNESS. ON THE LATTER COUNT, WE HAVE
MADE A STRONG START BY:

-- REVERSING THE TREND TOWARD DECLINING (IN REAL
TERMS) US DEFENSE BUDGETS;
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-- OVERCOMING THE DEBILITATING EFFECTS OF
WESTERN INFLATION AND RECESSION THROUGH MORE EFFECTIVE
ECONOMIC COOPERATION;

-- ESTABLISHING A MORE PROMISING DIALOGUE WITH
THE LDCS ON ECONOMIC ISSUES;

-- EMBARKING ON A MORE ACTIVIST DIPLOMACY IN
SOUTHERN AFRICA TO AVERT CONFLICTS WHICH THE SOVIETS
COULD EXPLOIT;

-- MOVING TOWARD A STRONGER BIPARTISAN CONSENSUS
IN THE US ON MAJOR FOREIGN POLICY ISSUES INCLUDING
RELATIONS WITH THE USSR.

19. FUTURE ISSUES (UNDERLINE)

20. FOR THE FUTURE, THE MAJOR ISSUES COULD LOOK RATHER
FAMILIAR.

21. (1) STRATEGIC ISSUES (UNDERLINE). SUCCESSFUL
COMPLETION OF SALT II NEGOTIATIONS REMAINS A CENTRAL
OBJECTIVE. TECHNOLOGICAL DEVELOPMENTS HAVE THEIR OWN
IMPETUS, AND UNDUE DELAY COULD ALLOW THEM TO GET OUT OF
CONTROL. TWO PROBLEMS--CRUISE MISSILES AND THE BACKFIRE
BOMBER--STILL STAND IN THE WAY OF CONCLUDING AN AGREE-
MENT BASED ON THE 1974 VLADIVOSTOK UNDERSTANDING. BY
PLACING CEILINGS ON STRATEGIC SYSTEMS AND ESTABLISHING
A SITUATION OF STABLE EQUIVALENCE BETWEEN THE US AND THE
USSR, SUCH AN AGREEMENT COULD DIMINISH FURTHER THE RISK
OF NUCLEAR WAR, LEAD TO APPROXIMATE PARITY IN STRATEGIC
ARMS, AND PRESERVE AN ESSENTIAL ELEMENT OF DETENTE. WE
WOULD HOPE TO CONCLUDE AN ACCORD WITHIN THE NEAR
FUTURE, BUT THIS WILL REQUIRE GREATER SOVIET FLEXIBILITY.
WHETHER OR NOT SALT II IS CONCLUDED, THE US WILL MAIN-
TAIN A CREDIBLE STRATEGIC DETERRENT NECESSARY TO PRO-
TECT ITS HOMELAND AND SUPPORT ITS OVERSEAS COMMITMENTS.
THE PRC'S CURRENT NUCLEAR FORCE, IT MIGHT BE NOTED, POSES
NO REAL THREAT TO THE US AND IS NOWHERE NEAR A LEVEL
WARRANTING ADDITIONAL STRATEGIC ARMS ACQUISITION BY THE
US.

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22. OF LONGER-TERM CONCERN IS THE DANGER OF FURTHER NUCLEAR PROLIFERATION. WE ARE ATTEMPTING TO DEAL WITH THIS SITUATION IN THE LONDON SUPPLIERS' GROUP. THE HEIGHTENED GLOBAL CONCERN OVER THIS MATTER SINCE THE INDIAN NUCLEAR EXPLOSION, REFLECTS REAL DANGERS, AND JAPANESE RATIFICATION OF THE NPT IS PARTICULARLY WELCOME IN THIS RESPECT. THIS IS AN AREA IN WHICH THE US AND JAPAN WILL UNDOUBTEDLY WISH TO CONTINUE TO WORK TOGETHER.

23. (2) ECONOMIC RELATIONS (UNDERLINE). EAST-WEST ECONOMIC EXCHANGES HAVE GROWN CONSIDERABLY IN THE 1970'S, YET CERTAIN QUESTIONS ARE NOW BEING RAISED ABOUT THE FUTURE OF THESE RELATIONSHIPS. THE WESTERN INDUSTRIAL DEMOCRACIES, RECOGNIZING THE NEED FOR ADDITIONAL ANALYSIS, HAVE THEREFORE RECENTLY AGREED TO EXAMINE TOGETHER BOTH THE OVERALL TRENDS IN EAST-WEST ECONOMIC RELATIONS AND SELECTED POLICY AREAS.

24. CLOSER COLLABORATION AMONG THE INDUSTRIAL COUNTRIES CAN MAXIMIZE THE ADVANTAGES WHICH WE DERIVE FROM COMMERCIAL RELATIONS WITH THE EAST AND HELP AVOID SOME OF THE INEVITABLE PROBLEMS WHICH ARISE BETWEEN MARKET AND NON-MARKET ECONOMIES. IN ADDITION, SINCE ECONOMIC RELATIONS BOTH CONTRIBUTE TO AND ARE AFFECTED BY THE POLITICAL ENVIRONMENT, THE ECONOMIC COMPONENT OF EAST-WEST RELATIONS CANNOT BE REGARDED IN ISOLATION, AND THE CHALLENGE IS HOW TO USE WESTERN ECONOMIC ASSETS TO FOSTER CONSTRUCTIVE AND SUSTAINABLE PROGRESS IN EAST-WEST ECONOMIC AND POLITICAL RELATIONS.

25. FROM OUR VIEWPOINT, THE WESTERN COLLABORATIVE EFFORT MUST BEGIN WITH A DISCUSSION OF SEVERAL MAJOR QUESTIONS, INCLUDING THESE:

-- IN LIGHT OF RISING DEBT PROBLEMS IN THE EAST; THE POSSIBLE DECLINE IN GOLD RESERVES; LIMITS, LEGAL OR SELF-IMPOSED, ON LENDING BY PRIVATE BANKS; THE DIFFICULTY THE EAST WILL HAVE EXPORTING PRODUCTS TO THE WEST DUE TO THE QUESTIONABLE QUALITY OF ITS MANUFACTURED PRODUCTS AND THE

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GROWING WESTERN SENSITIVITY TO PENETRATION AND DISRUPTION OF ITS MARKETS; AND THE DIFFICULTY WHICH THE EAST HAS IN OFFERING RECIPROCITY FOR IMPROVED MARKETS, WILL EAST-WEST

ECONOMIC RELATIONS CONTINUE TO EXPAND AT THE PACE OF THE
EARLY AND MID-SEVENTIES?

-- CONCERNING THE USSR IN PARTICULAR, HOW VALID ARE
THE ASSUMPTIONS THAT TRADE WITH THE WEST WOULD EXPAND ON
THE BASIS OF LARGE "PAY-BACK" RESOURCE PROJECTS IN
SIBERIA? MOREOVER, IS AN EXACERBATION OF ECONOMIC PROBLEMS--SUCH AS LABOR SHORTAGES, LAGGING TECHNOLOGY, DIFFICULTY IN ASSIMILATING FOREIGN TECHNOLOGY, UNSATISFIED CONSUMER DEMAND, AGRICULTURAL FAILURES, DIFFICULTY IN FINANCING WESTERN TRADE--IN PROSPECT FOR THE EARLY 1980'S, AND IF SO WITH WHAT EFFECT ON SOVIET GROWTH, THE SOVIET COMMITMENT TO TRADE WITH THE WEST, AND ON SOVIET DOMESTIC POLITICS?

-- TO WHAT DEGREE WILL ECONOMIC TENSIONS BETWEEN THE
USSR AND EASTERN EUROPE--A RESULT OF SOVIET INABILITY TO
CONTINUE TRADITIONAL LEVELS OF GRAIN AND ENERGY EXPORTS AS
WELL AS INCREASING SOVIET PRESSURE ON EASTERN EUROPE TO
INVEST IN THE USSR--AFFECT EAST-WEST ECONOMIC RELATIONS?

26. (3) POLITICAL COMPETITION IN THIRD AREAS.
SOUTHEAST ASIA, SUB-SAHARA AFRICA, THE MIDDLE EAST, AND THE
PERSIAN GULF ARE AMONG THE AREAS WHERE WE MUST EXPECT
ACTIVE SOVIET EFFORTS TO IMPROVE THEIR POSITION. EX-
CLUSION OF THE USSR FROM THESE AREAS IS NEITHER WITHIN OUR
POWER NOR NECESSARY FOR THE DEFENSE OF OUR INTERESTS. ON
THE BASIS OF PAST EXPERIENCE, THE TASK OF PREVENTING THE
SOVIETS FROM TRANSLATING GROWING MILITARY POWER INTO UNI-
LATERAL POLITICAL ADVANTAGE IN THIRD AREAS DEPENDS LESS
ON MANIPULATING OUR BILATERAL TIES WITH MOSCOW THAN UPON
OUR RESPONSE TO THE LOCAL CIRCUMSTANCES IN AREAS OF POLITI-
CAL COMPETITION. BUT WHAT TYPES OF SOVIET ACTIVITIES IN
THESE REGIONS SHOULD WE SEEK TO OBSTRUCT? WHICH SHOULD WE
ENCOURAGE? FOR EXAMPLE, IN THE SOUTHWEST PACIFIC AND
SOUTHEAST ASIA ARE THERE STEPS WE CAN TAKE JOINTLY TO
LIMIT SOVIET INFLUENCE IN THE REGION?

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27. TO BE SURE, A DOMINANT MOTIVE FOR SOVIET ACTIVITY
IN THESE AREAS IS COMPETITION WITH CHINA, AND OUR ABILITY
TO COUNTER MOSCOW WILL DEPEND NOT ONLY ON WHAT WE ARE
DOING AND CAN DO WITH MOSCOW, BUT WHAT MOSCOW SEES US
DOING AND FEARS WE MIGHT UNDERTAKE WITH THE PRC.

28. (4) OTHER ISSUES. HUMANITARIAN CONCERNS
WILL RETAIN A PERMANENT PLACE IN OUR POLICY OUTLOOK, AND
WE CAN EXPECT THIS TO CONTINUE TO COMPLICATE POLITICAL
RELATIONS WITH THE USSR. THE HELSINKI ACCORD PROVIDES A

TOOL WITH WHICH TO PRESS FOR MORE SOVIET EMIGRATION, GREATER FREEDOM OF MOVEMENT, AND RESOLUTION OF FAMILY UNIFICATION CASES. WE WOULD EXPECT, MOREOVER, TO CONTINUE OUR EXTENSIVE PROGRAMS OF SCIENTIFIC AND CULTURAL EXCHANGE WITH THE USSR, WHILE MAKING PERSISTENT EFFORTS TO ASSURE A REASONABLE BALANCE OF BENEFITS.

29. UNITED STATES POLICY TOWARD CHINA (UNDERLINE)

30. A SHARED STAKE IN RESTRAINING SOVIET POWER PROVIDED THE STRATEGIC BASIS FOR THE US "OPENING" TO PEKING IN 1971. IMPROVED RELATIONS WITH THE PRC HAS SECURED US A VARIETY OF BENEFITS: ENHANCED PROSPECTS FOR SUSTAINING A GLOBAL EQUILIBRIUM AMONG THE GREAT POWERS; DIMINISHED DANGERS OF CONFLICT IN ASIA; A MORE RELIABLE BASIS FOR THE

GROWTH OF A DURABLE BILATERAL RELATIONSHIP, INCLUDING EXPANDED COMMERCIAL OPPORTUNITIES AND CULTURAL AND EDUCATIONAL EXCHANGES; BETTER PROSPECTS FOR AVERTING CONFLICTS AND PROMOTING PARALLEL APPROACHES TO CRITICAL GLOBAL ISSUES. THE CHINESE LIKEWISE DERIVE ADVANTAGES, E.G., A HEDGE AGAINST SOVIET PRESSURES, BROADER ACCESS TO THE INTERNATIONAL COMMUNITY, THE PROSPECT OF IMPROVING THEIR POSITION ON THE TAIWAN ISSUE.

31. DURING RECENT YEARS PARALLEL US-PRC APPROACHES HAVE BEEN APPARENT IN A NUMBER OF AREAS--MOST NOTABLY IN CHINA'S RHETORICAL SUPPORT OF NATO AND THE US-JAPAN ALLIANCE; THE ABSENCE OF CHINESE PRESSURE AGAINST US BASES AND FORCES IN ASIA, PEKING'S ENDORSEMENT OF ASEAN, ITS EFFORTS TO COUNTER SOVIET INFLUENCE IN SOUTH AND SOUTHEAST

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ASIA, AFRICA; ITS EVIDENT DISPOSITION TO ALLOW THE TAIWAN ISSUE TO BE RESOLVED GRADUALLY.

32. WE HAVE ALSO MADE PROGRESS IN IMPLEMENTING THE SHANGHAI COMMUNIQUE. CONSISTENT WITH THE VIEWS OF THE CHINESE ON BOTH SIDES OF THE TAIWAN STRAITS, WE DO NOT CHALLENGE THE PRINCIPLE THAT THERE IS BUT ONE CHINA OF WHICH TAIWAN IS A PART. WE HAVE REDUCED OUR MILITARY FORCES IN TAIWAN SUBSTANTIALLY, AND ANTICIPATE THEIR ULTIMATELY COMPLETE WITHDRAWAL. OUR POLICY TOWARD THE PRC ENVISAGES A COMPLETE NORMALIZATION OF DIPLOMATIC RELATIONS.

33. THE CHINESE IN THE PAST HAVE REPEATEDLY EXPRESSED TO US THEIR UNDERSTANDING OF THE PACE OF WHICH OUR RELATIONSHIP HAS EVOLVED. TO THE EXTENT THEY HAVE BEEN DISSATISFIED WITH OUR RELATIONSHIP, THEIR DISCONTENT FOCUSED PRIMARILY ON CONCERNS ABOUT OUR ABILITY AND/OR RESOLVE TO

PLAY THE ROLE THEY WOULD ASSIGN US IN OUR OWN ANTI-SOVIET CONTAINMENT POLICY. BUT THEY HAVE ALSO MAINTAINED THEIR POSITION ON THE NORMALIZATION FRONT, AND WE DO NOT ASSUME THEY HAVE UNLIMITED PATIENCE.

34. CONTEMPORARY TRENDS (UNDERLINE)

35. THE FUTURE CONTOURS OF SINO-US RELATIONS WILL BE SHAPED BY THESE TRENDS.

-- THE PASSING OF MAO SIGNALS A PERIOD OF INTENSIFIED STRUGGLE FOR THE SUCCESSION. MAO LEFT NO INSTITUTIONAL MEANS OF TRANSFERRING POWER; CONSEQUENTLY COALITION BUILDING AMONG RIVAL FACTIONS WILL BE THE ORDER OF THE DAY. AVAILABLE EVIDENCE SUGGESTS THAT A ROUGH BALANCE EXISTS AMONG THE CONTENDING FACTIONS IN THE POLITBURO.

THESE CONTENDING FORCES CAN BE EXPECTED TO PRESENT AT LEAST A FACADE OF HARMONY AND ORDER FOR THE TIME BEING, ALTHOUGH ONE CANNOT RULE OUT THE POSSIBILITY OF A RELATIVELY OPEN POWER STRUGGLE.

-- THE MOST LIKELY LEADERSHIP ALIGNMENT IN THE NEAR TERM IS A COLLEGIAL ONE, PROBABLY HEADED BY HUA-KUO-FENG.
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IT IS DOUBTFUL THAT SUCH A COALITION WILL POSSESS THE STRENGTH AND COHESION TO EMBARK ON ANY SIGNIFICANT POLICY CHANGES FOR SOME TIME. ALTERNATIVE POSSIBILITIES, OF COURSE, INCLUDE (1) A LEFT-LEANING AND (2) A MODERATE-LEANING COALITION.

-- POLITICAL MANEUVERING WILL PROBABLY REVOLVE PRIMARILY AROUND DOMESTIC ISSUES. THERE IS NO EVIDENCE THAT FOREIGN POLICY HAS BEEN THE CENTRAL ISSUE IN THE RECENT LEADERSHIP STRUGGLE, AND SIGNS POINT TO FAIRLY GENERAL AGREEMENT WITHIN THE LEADERSHIP ON AN ANTI-SOVIET STANCE AND SUSTAINING GOOD RELATIONS WITH THE WEST.

-- THERE ARE DIFFERENCES IN EMPHASIS, HOWEVER. THE LEFT FEELS PARTICULARLY STRONGLY ABOUT ISSUES INVOLVING NATIONAL TERRITORY AND SOVEREIGNTY, AND A LEFT-LEANING COALITION COULD BE MORE DISPOSED TO PRESS THE US HARD ON THE TAIWAN ISSUE. FURTHERMORE, A LEFTIST COALITION WOULD PROBABLY BE LEAST LIKELY TO RESPOND POSITIVELY TO FUTURE SOVIET OFFERS TO IMPROVE RELATIONS.

-- WHOEVER EMERGES AS MAO'S SUCCESSOR(S), HE WILL BE CONFRONTED WITH THE SAME FOREIGN POLICY PROBLEMS PEKING HAS BEEN FACING FOR A LONG TIME, I.E., A

THE NEED TO DEFEND CHINA'S BORDERS, AND A DESIRE TO PROJECT CHINA'S INFLUENCE ABROAD IN THE FACE OF LIMITED CAPABILITIES TO COMPETE WITH THE SUPERPOWERS IN DOING SO. CHINA FACES A NUMBER OF DISADVANTAGES IN MAJOR POWER COMPETITION. IT REMAINS INFERIOR TO THE US AND THE SOVIET UNION IN STRATEGIC POWER, THOUGH IT IS ACQUIRING A MORE RELIABLE SECOND STRIKE DETERRENT. CHINA IN SOME RESPECTS STILL RANKS AS AN LDC, AND HAS RELATIVELY LITTLE TO OFFER THE THIRD WORLD OTHER THAN ITS DOCTRINE OF SELF-RELIANCE. IT REMAINS CONFINED TO AN ESSENTIALLY SECONDARY ROLE IN MOST INTERNATIONAL DEVELOPMENTS BEYOND ASIA.

36. THESE DEFICIENCIES NOTWITHSTANDING, THE RESIDUAL STRENGTHS IN CHINA'S INTERNATIONAL POSITION REMAIN IMPRESSIVE. ITS SIZE, MILITARY POTENTIAL AND POLITICAL ATTRACTION WILL CONTINUE TO WORRY THE USSR, AND SHOULD CHINA REVERT TO A MORE REVOLUTIONARY FOREIGN POLICY
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ORIENTATION, IT COULD PROVE A DISRUPTIVE FORCE ON THE REGIONAL AND GLOBAL EQUILIBRIUM.

-- POLITICAL DISARRAY IN CHINA COULD CONTRIBUTE TO AN ECONOMIC SLOWDOWN. (UNDERLINE) 1975 WAS NOT A BANNER YEAR FOR THE CHINESE ECONOMY, AND THE RECENT EARTHQUAKES PLACE ANOTHER LARGE QUESTION MARK OVER FUTURE PROSPECTS. POLITICAL IN-FIGHTING COULD RESULT IN GREATER EMPHASIS UPON SELF-RELIANCE. IN ANY EVENT LIMITED FOREIGN EXCHANGE WILL LIMIT PEKING'S ABILITY TO BUY ABROAD EVEN AS ITS PREVAILING BACKWARDNESS WILL IMPOSE LIMITS ON ITS ABILITY TO ABSORB AND APPLY ADVANCED TECHNOLOGY. STILL ITS INDUSTRIES POSSESS MANY BOTTLENECKS WHICH WESTERN EQUIPMENT COULD RELIEVE. THUS THE POTENTIAL FOR SLOW BUT STEADY TRADE EXPANSION WILL PERSIST, BUT PROBABLY AT A SLOWER RATE THAN IN THE EARLY 1970'S.

-- THE SINO-SOVIET RIVALRY IS LIKELY TO CONTINUE (UNDERLINE). ITS ROOTS ARE DEEP, AND THEY GO WELL BEYOND MAO'S OBSESSION WITH THE USSR. WHILE BOTH PARTIES DOUBTLESS PERCEIVE INCENTIVES TO ACHIEVE AT LEAST A LIMITED MODUS VIVENDI, THEY FACE A HOST OF OBSTACLES IN TRANSLATING THAT POSSIBILITY INTO A REALITY. EACH SIDE HOLDS THE OTHER RESPONSIBLE FOR THE EXISTING HOSTILITY; NEITHER WILL BE WILLING TO ACKNOWLEDGE FAULT BY HASTILY ABANDONING LONG-STANDING POSITIONS. THE CHINESE SUCCESSION STRUGGLE ITSELF COULD IMPOSE A MAJOR "DRAG" ON ANY EFFORTS TO ADJUST PRC POLICY TOWARD THE USSR. AND SINO-SOVIET COMPETITION IN THIRD AREAS HAS ACQUIRED A MOMENTUM OF ITS OWN, THUS REINFORCING OTHER SOURCES OF SUSPICION.

37. THE SOVIETS HAVE APPEARED MORE INTERESTED THAN THE CHINESE IN A LIMITED DETENTE, AND THEY MIGHT BE EXPECTED TO MAKE A SERIES OF OVERTURES FOR AN IMPROVEMENT IN RELATIONS. THESE COULD INCLUDE:

-- A REVIVAL OF WELL WORN PROPOSALS SUCH AS A NON-AGGRESSION PACT, A NON-USE OF FORCE TREATY, AND A JOINT AGREEMENT TO CONDUCT RELATIONS ON THE BASIS OF PEACEFUL COEXISTENCE.
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-- AN OFFER TO EXPAND TRADE AND CULTURAL EXCHANGE TO DEMONSTRATE SOVIET GOOD FAITH AND TEST THE REACTIONS OF VARIOUS CHINESE FACTIONS.

-- CONCEIVABLY A NEW PACKAGE OF LIMITED CONCESSIONS ON BORDER ISSUES.

-- A REDUCTION IN POLEMICAL PROPAGANDA EXCHANGES.

-- POSSIBLY AN EFFORT TO ARRANGE WITH MAO'S SUCCESSORS A SUMMIT MEETING.

38. THE AVAILABLE EVIDENCE SUGGEST THAT SOVIET OFFICIALS ARE NOT SANGUINE ABOUT AN EARLY "THAW"; THEY APPEAR TO EXPECT AN EXTENDED INTERREGNUM IN CHINA DURING WHICH NO ONE PRC LEADER WILL BE STRONG ENOUGH TO EMBARK ON MAJOR POLICY SHIFTS TOWARD THEM. BUT MOSCOW STILL CHERISHES THE HOPE THAT A LIMITED RAPPROCHEMENT MAY BE ARRANGED ONCE INTERNAL DEVELOPMENTS IN CHINA SETTLE SOMEWHAT.

39. IF SERIOUS THREATS TO CHINESE UNITY WERE TO APPEAR, A DRAMATIC HEIGHTENING OF TENSIONS ON THE BORDERS MIGHT BE A MORE LIKELY PRC REACTION THAN CONCILIATORY RESPONSES TO SOVIET GESTURES. NONETHELESS, OVER TIME CHINESE MODERATES COULD CONCLUDE THAT THEIR INTERESTS ARE NOT SERVED BY THE PRESERVATION OF A SEMI-PERMANENT STATE OF MILITARY TENSION ON THE BORDERS, AND BY CONCEDING THE US AND JAPAN GREATER FLEXIBILITY IN THE ASIAN QUADRILATERAL. SOME MILITARY LEADERS, CHARGED WITH PROTECTING THE COUNTRY AGAINST A SUPERIOR ADVERSARY, MIGHT ALSO FAVOR MODEST CONCESSIONS TO REDUCE THE SOVIET DANGER. EVEN LIMITED ADJUSTMENTS, HOWEVER, ARE UNLIKELY TO PROMPT PRC LEADERS TO CEASE REGARDING THE SOVIETS AS THE "MAIN ADVERSARY." THERE IS LITTLE PROSPECT THAT THEY WILL ALLOW ANY RESUMPTION OF SIGNIFICANT ECONOMIC DEPENDENCE ON THE USSR, OR THAT THEY WOULD BE PREPARED TO SACRIFICE CHINA'S NEW AND WIDENING RELATIONS WITH THE WEST, JAPAN, AND THE THIRD

WORLD FOR THE SAKE OF A BETTER RELATIONSHIP WITH MOSCOW.

40. CHINESE INTEREST IN EVEN A MODEST "THAW" IN RELATIONS
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WITH MOSCOW, OF COURSE, WILL DEPEND NOT ONLY ON THE NATURE
OF SOVIET MOVES BUT ON THEIR ASSESSMENT OF US POLICY.

41. UNITED STATES POLICY PERSPECTIVES (UNDERLINE)

42. FOR THE UNITED STATES A CONSOLIDATION OF RELATIONS
WITH THE PRC REMAINS A HIGHLY IMPORTANT OBJECTIVE, NOT
LEAST BECAUSE CONSTRUCTIVE TIES WITH PEKING WILL ENABLE
US TO MINIMIZE THE LONGER-TERM COST OF COMPETING WITH TWO
WORLD POWERS.

43. A CONSTANT REQUIREMENT FOR EFFECTIVE RELATIONS WITH
CHINA IS EVIDENCE OF US ABILITY TO REMAIN A STRONG
COUNTERWEIGHT AGAINST THE SOVIET UNION. IF THE US DOES
NOT RETAIN A STRONG INTERNATIONAL POSITION, A RESOLUTION
OF US/PRC ISSUES AS THEY BEAR ON THE TAIWAN PROBLEM WILL

NOT ASSURE EFFECTIVE US/PRC TIES.

44. BEYOND THE INTENTION TO PRESERVE A STRONG GLOBAL
ROLE, HOWEVER, WE REMAIN COMMITTED TO COMPLETE THE
NORMALIZATION PROCESS.

45. IN SOME RESPECTS THE TASK OF NORMALIZING RELATIONS
HAS BEEN COMPLICATED BY RECENT TRENDS. INTERNAL DISARRAY
IN CHINA COULD LEND GREATER RIGIDITY TO PRC NEGOTIATING
POSITIONS ON TAIWAN. IN THE UNITED STATES THE DOMESTIC
POLITICS OF THE CHINA ISSUE HAS BECOME MORE COMPLICATED.
THE JAPANESE GOVERNMENT HAS DISPLAYED CONCERNS ABOUT THE
IMPACT OF MAJOR ADJUSTMENTS IN US-CHINA POLICY UPON ITS
OWN POSITION IN ASIA. ANXIETIES ABOUT US CREDIBILITY IN
ASIA AND ELSEWHERE HAVE BEEN STIMULATED BY THE OUTCOME IN
INDOCHINA, REINFORCING THE DELICACY OF THE
TAIWAN PROBLEM FOR US.

46. OTHER ASPECTS OF THE INTERNATIONAL ENVIRONMENT, ON
THE OTHER HAND, MAY CONTRIBUTE TO A MORE PROMISING
ATMOSPHERE FOR NEGOTIATIONS IN THE PERIOD AHEAD. FOR ONE
THING, THE US GLOBAL POSITION HAS BEEN IMPROVED BY AN
EXPANDED DEFENSE BUDGET, A MORE ACTIVE DIPLOMACY IN
SOUTHERN AFRICA, IMPROVED TIES WITH OUR MAJOR ALLIES, AND
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A STRONG WESTERN ECONOMIC RECOVERY. FOR ANOTHER, CHINA SHARES A STAKE IN US CREDIBILITY INsofar AS IT COUNTS ON US AS A MAJOR ELEMENT IN THE ASIAN BALANCE. FINALLY, WE REMAIN IN A POSITION TO INFLUENCE TAIWAN AWAY FROM DIRECTIONS THAT THE PRC WOULD FIND PARTICULARLY UNPALATABLE, I.E., SERIOUS ROC CONSIDERATIONS OF A "SOVIET OPTION," OR AN EARLY MOVE BY THE ROC TO PROCLAIM ITS INDEPENDENCE AND DISOWN THE "ONE-CHINA" THESIS.

47. WHILE WE REMAIN DETERMINED TO COMPLETE THE NORMALIZATION PROCESS, WE HAVE NOT YET REACHED CONCRETE DECISIONS REGARDING THE TIMING AND TERMS. THESE MUST EMERGE FROM NEGOTIATIONS WITH PEKING. FOR SUCH NEGOTIATIONS TO SUCCEED WE WILL HAVE TO RESPECT PEKING'S PRINCIPLES; BUT THE CHINESE WILL HAVE TO DEMONSTRATE FLEXIBILITY AND REALISM IN IMPLEMENTING THEM.

48. OUR APPROACH TO THE TAIWAN QUESTION IS RELATED TO A LARGER ISSUE: HOW WE "PLAY" THE SINO-SOVIET QUARREL. WHILE WE DERIVE ADVANTAGES FROM THAT RIVALRY, OUR ABILITY TO MANIPULATE IT REMAINS LIMITED. OUR INTERESTS WOULD BE SERVED NEITHER BY A RENEWAL OF CLOSE SINO-SOVIET TIES NOR BY A MAJOR DETERIORATION IN SINO-SOVIET RELATIONS. A LIMITED "THAW" WOULD NOT INEVITABLY REDOUND TO OUR DISADVANTAGE PROVIDED IT WAS NOT BASED ON SHARED HOSTILITY

TOWARD THE US OR OUR KEY ALLIES. BUT IT COULD CONCEIVABLY HAVE SOME ADVERSE CONSEQUENCES INCLUDING SOME REDUCTION IN US AND JAPANESE DIPLOMATIC FLEXIBILITY AND RELEASING SOVIET AND CHINESE RESOURCES AND ENERGIES TO PURSUE OTHER OBJECTIVES.

49. FOR THE FUTURE OUR APPROACH TO THE SINO-SOVIET DISPUTE WILL LIKELY FOLLOW THESE GUIDELINES:

-- WE DID NOT CREATE THE DISPUTE. IT SPRINGS FROM SOURCES INDEPENDENT OF OUR WILL OR OUR POLICY. TO ATTEMPT TO MANIPULATE THE RIVALRY, TO MEDDLE IN IT, OR TO TAKE SIDES WOULD BE DANGEROUS, INDEED SELF-DEFEATING.

-- OUR INTERESTS COMPEL US TO PURSUE OUR WELL-CONFIDENTIAL

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ESTABLISHED POLICIES OF SEEKING IMPROVED RELATIONS WITH BOTH THE USSR AND CHINA. THE RECORD TO DATE SUGGESTS IMPROVEMENT IN OUR RELATIONS WITH ONE HAS NOT LED TO A DETERIORATION IN OUR TIES WITH THE OTHER; QUITE TO THE CONTRARY, THE REVERSE IS TRUE.

-- WE DO NOT INTEND TO BE INSTRUCTED BY EITHER PARTY ON THE COURSE WE SHOULD ADOPT TOWARD ITS RIVAL. AT THE SAME TIME WE WILL MAKE CLEAR THAT WE ARE NOT COLLUDING WITH, OR ACCOMMODATING, ONE AT THE EXPENSE OF THE OTHER.

-- OUR MAJOR DIFFERENCES WITH BOTH THE SOVIETS AND CHINA OVER NATIONAL INTERESTS, IDEOLOGIES, AND VALUES WILL PERSIST. WE WILL NOT ATTEMPT TO HIDE THESE. BUT IN A THERMONUCLEAR AGE WE MUST CONTINUE TO STRIVE TO MODERATE OUR RELATIONSHIP.

-- WE WILL SEEK TO PRESERVE THE INTEGRITY OF OUR ALLIANCE WITH WESTERN EUROPE AND JAPAN, SINCE--BEYOND THEIR OWN INTRINSIC VALUE--THESE ALLIANCES ARE ESSENTIAL FOR AN EFFECTIVE BARGAINING POSITION WITH ADVERSARIES. WE INTEND TO HARMONIZE POLICIES WITH OUR ALLIES LEST DIFFERENTIAL APPROACHES GENERATE COMPETITION AND RIVALRY AMONG FRIENDS.

50. IMPLICATIONS FOR US-JAPAN RELATIONS (UNDERLINE)

51. WHILE THIS PAPER HAS FOCUSED ESSENTIALLY ON THE PROSPECTS FOR US BILATERAL TIES WITH MOSCOW AND PEKING, WE WILL DESIGN OUR APPROACH TO BOTH NATIONS ON THE PREMISE THAT CONTINUOUS EFFORTS TO COORDINATE OUR POLICY APPROACHES WITH JAPAN WILL REMAIN ESSENTIAL.

-- OUR PARTNERSHIPS WITH THE INDUSTRIAL DEMOCRACIES COME FIRST IN OUR DIPLOMACY; THEY WILL NOT BE JEOPARDIZED IN THE PURSUIT OF OTHER OBJECTIVES OR RELATIONSHIPS.

-- WE RECOGNIZE THAT AN EFFECTIVE US STRATEGIC DETERRENT CONTINUES TO UNDERLIE US-JAPAN SECURITY RELATIONS, AND WE INTEND TO PRESERVE A STRONG POSITION IN THE GLOBAL BALANCE, INCLUDING FORWARD DEPLOYED CONFIDENTIAL

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GENERAL PURPOSE FORCES IN THE WESTERN PACIFIC.

-- IN APPROACHING REGIONAL DISPUTES (E.G. KOREA), EFFORTS TO CONCERT OUR RESPECTIVE POLICIES WILL REMAIN IMPORTANT TO OUR PROSPECTS OF ENGAGING THE PRC AND/OR SOVIET UNION IN MORE CONSTRUCTIVE EFFORTS TO DEFUSE TENSIONS. SIMILAR POLICY COORDINATION WILL CONTRIBUTE TO OUR JOINT INTERESTS IN DILUTING SOVIET INFLUENCE IN INDOCHINA WHILE ERECTING ADDITIONAL INHIBITIONS AGAINST VIETNAMESE PRESSURES AGAINST ITS ASEAN NEIGHBORS.

-- WHILE WE CONTINUE TO BELIEVE THAT MUCH OF THE

INITIATIVE FOR COMMERCIAL RELATIONS WITH THE EAST WILL REST WITH OUR RESPECTIVE PRIVATE SECTORS, A STRONGER GOVERNMENTAL ROLE MAY BE APPROPRIATE ON SOME KEY ISSUES (E.G. GUIDELINES TO GOVERN TRADE AND CREDIT ARRANGEMENTS WITH NON-MARKET ECONOMIES), AND WE WILL WANT TO EXPLORE THE GENERAL DEVELOPMENT OF EAST-WEST TRADE WITH JAPAN AND OTHER INDUSTRIAL DEMOCRACIES. CONTINUED CLOSE CONSULTATION WILL BE PARTICULARLY IMPORTANT WITH RESPECT TO FUTURE SALES OF ADVANCED TECHNOLOGY--PARTICULARLY MILITARILY-RELEVANT TECHNOLOGY--TO THE MAJOR COMMUNIST POWERS.

-- IN DESIGNING OUR FUTURE POLICIES TOWARD KEY MULTILATERAL ISSUES SUCH AS ENERGY, RAW MATERIALS, TRADE, FOOD RESERVES, ETC., WE SHOULD COORDINATE CLOSELY ON A CONTINUING BASIS REGARDING THE EFFICACY AND UTILITY OF DRAWING THE COMMUNIST NATIONS INTO PRACTICAL ARRANGEMENTS TO RESPOND TO SUCH GLOBAL PROBLEMS.

-- AND WE INTEND TO CONTINUE THE CLOSE EXCHANGE OF VIEWS ON THE EVOLUTION OF OUR RESPECTIVE BILATERAL RELATIONS WITH BOTH MOSCOW AND PEKING. END TEXT. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, PLANNING MEETINGS, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Draft Date: 28 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE240348
Document Source: CORE
Document Unique ID: 00
Drafter: MHARMACOST:MJK
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760364-1371
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760911/aaaaajmo.tel
Line Count: 893
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN SP
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 17
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 19 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 APR 2004 by CollinP0>; APPROVED <20 AUG 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: US-JAPAN PLANNING TALKS
TAGS: PFOR, JA, US, CH, UR
To: TOKYO
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006